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**SUDBURY
CONTACT
MINES,**

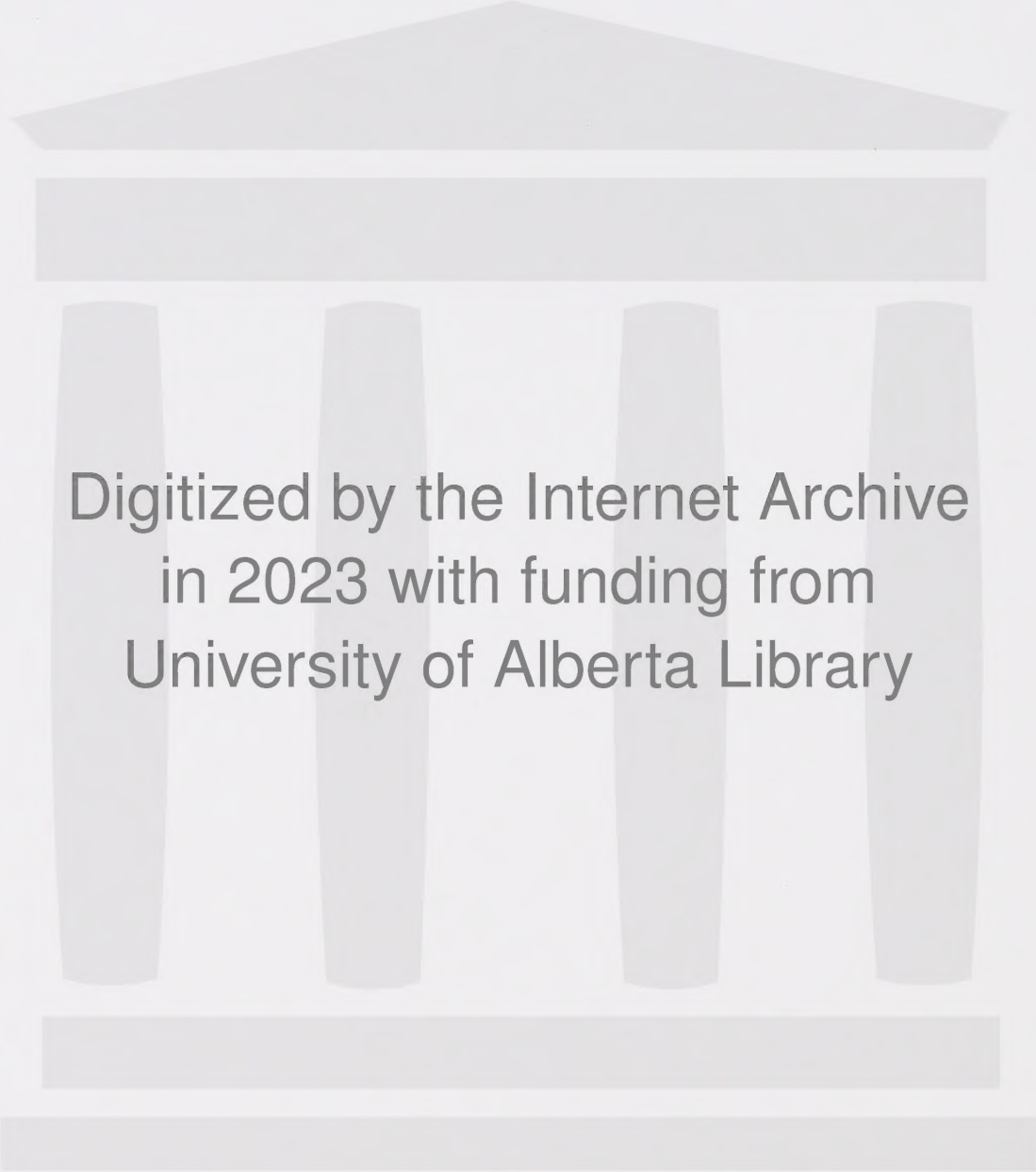
L I M I T E D

**ANNUAL
REPORT**



F O R T H E Y E A R E N D E D D E C E M B E R 3 1 S T

1975

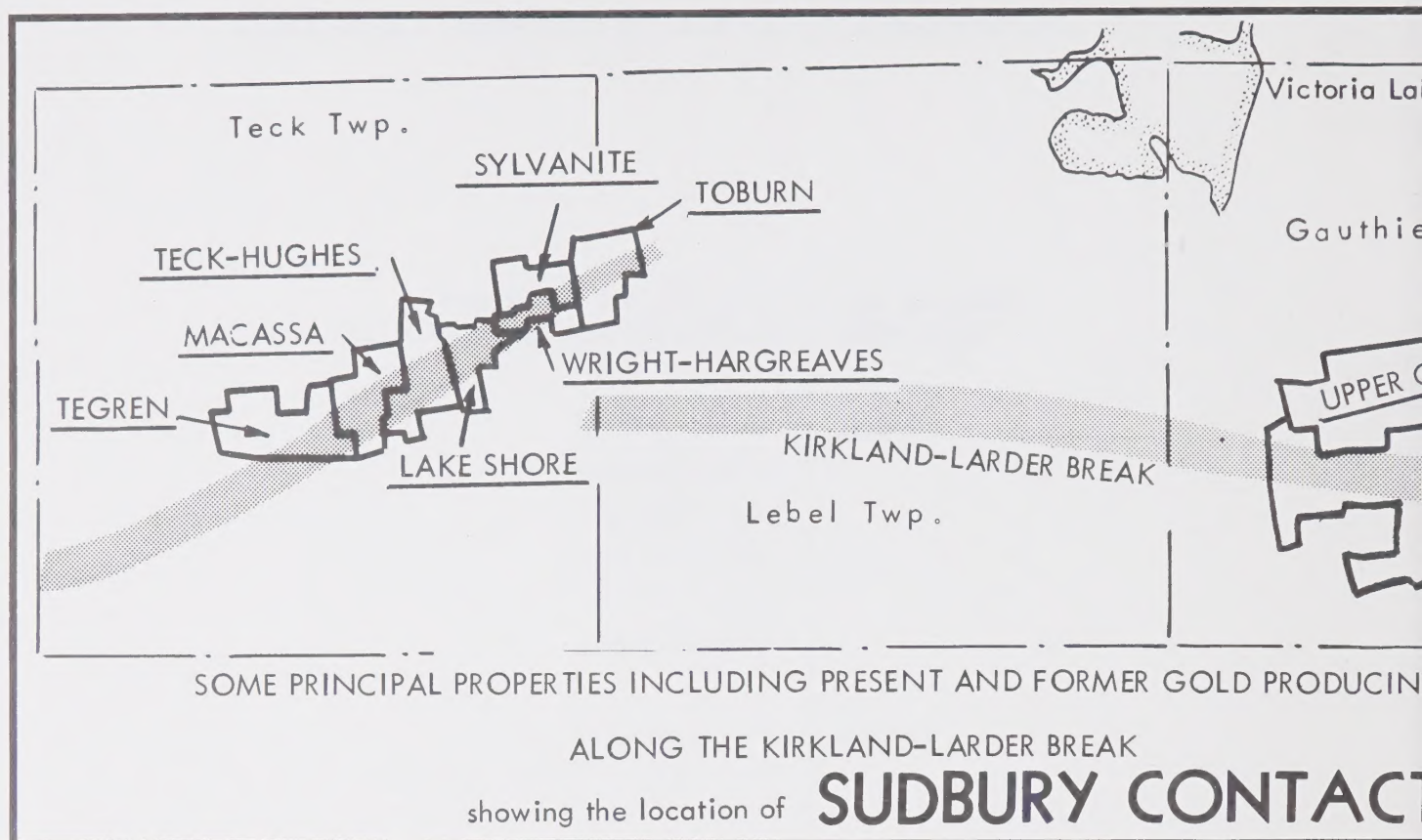


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SUDBURY CONTACT MINES, LIMITED

Executive and Head Office	Suite 300, 365 Bay Street Toronto, Ontario, Canada M5H 2V1
Directors	ARCHIE BASEN ALLEN BINSTOCK MAURY DRUTZ MILTON KLYMAN PAUL PENNA ERNEST SHERIFF
Officers	PAUL PENNA, <i>President</i> MIKEY DRUTZ, <i>Secretary-Treasurer</i>
Consulting Geologist	W. A. HUBACHECK, B.Sc., P.Eng.
Transfer Agent and Registrar	Guaranty Trust Company of Canada Toronto, Ontario
Auditors	Starkman, Kraft, Rothman, Berger & Grill, Chartered Accountants, Toronto, Ontario
Solicitors	Shibley, Righton & McCutcheon Toronto, Ontario
Shares Listed	Toronto Stock Exchange Toronto, Ontario
Annual Meeting	June 25, 1976, 11:00 a.m. (Toronto Time), Library Room, Royal York Hotel, 100 Front Street West, Toronto, Canada



Directors' Report to the Shareholders

The Directors present the audited financial statements of the Company for the year ended December 31, 1975 and also the following general review of activities during the year and the subsequent period to date.

The focus of interest for your Company during 1975 was its large assemblage of several gold properties totalling 51 claims astride the common boundaries of McVittie and Hearst Townships, Kirkland-Larder Lake area, Ontario. This assemblage includes the former producing Raven River Mine and the partially developed Laguerre Gold Mine.

The 1975 program centered on the Laguerre Gold Mine property on which a shaft was sunk to a depth of 790 feet with four levels established at the 250, 420, 590 and 760-ft. horizons. A total of 1,750 feet of lateral work was carried out on the 250 and 760-ft. levels by the former owners.

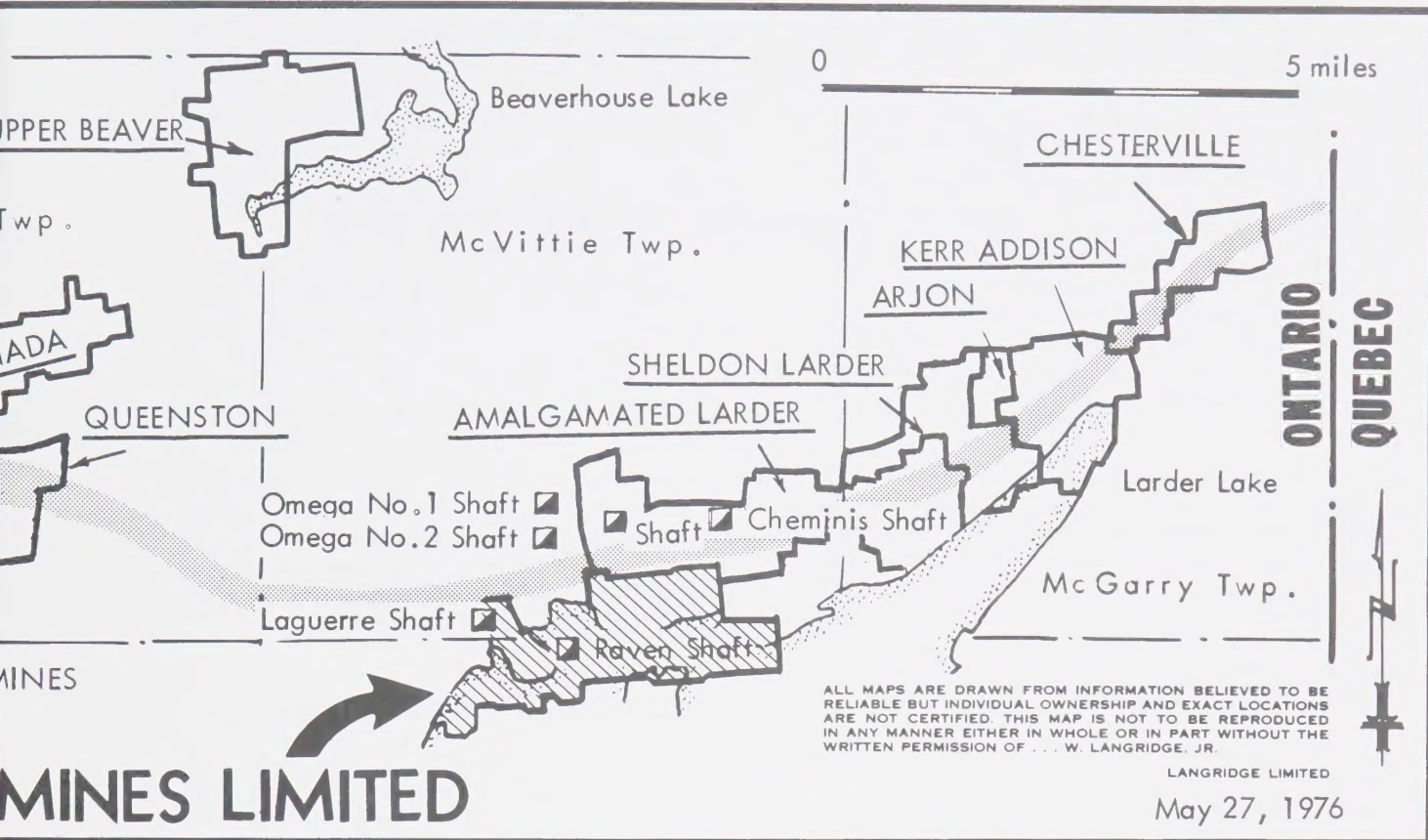
A basic mine plant was established at the site, including the erection of a headframe and installation of a hoist. Dewatering of the shaft and underground workings commenced during May and was completed the following July. Shaft tim-

ber was rehabilitated at progressive stages during the pumping operations. Pumps were installed at the 420 and 760 ft. levels.

It was necessary to rehabilitate the workings on the 1st or 250-ft. level as the headings, which were originally driven by hand equipment, were too small for mechanical equipment. The station at this level was slashed out together with the crosscut leading from the level station in order to employ a mucking machine and battery trammer. Rock caving was encountered on the south drift necessitating the driving of a new crosscut about 50 feet to the east. The new crosscut was extended about 257 feet to the south during September and October and diamond drill stations were slashed at 50-ft. intervals in preparation for the underground drilling.

Diamond drill stations were also slashed at regular intervals in the north crosscut. This work delayed the commencement of underground exploratory drilling until the early part of October.

Rock caving was also encountered on the 760-ft. level where a section in the main crosscut had to be mucked out and timbered for support.



Diamond drilling in a ring pattern was carried out from the regularly spaced stations, varying from 50 to 100 feet apart, on both the 250 and 760-ft. levels during the period from October of 1975 to March of 1976. A total of 6,580 feet of drilling in 65 holes was completed.

Eighteen holes intersected significant gold values, generally over comparatively short distances of from 5 to 10 feet but with numerous longer intersections up to 58 feet in one hole, with values ranging from 0.10 to 0.375 ounce of gold per ton. Eleven holes had more than one intersection including the hole that cut 58 feet averaging 0.128 ounce of gold which had three additional intersections each of 10 feet with values ranging from 0.165 to 0.265 ounce per ton.

Another notable hole with four separate intersections included one of 25 feet that assayed 0.415 ounce of gold per ton followed by three widely separated intersections each of 5 feet that ran from 0.10 to 0.125 ounce per ton.

This phase of the underground drilling was completed during March, 1976 and the workings are being kept pumped out in readiness for further

drilling if deemed necessary after a careful evaluation of the results.

Expenditures on the Laguerre property during the 1975 calendar year totalled \$285,740 of which \$192,103 was for exploration work and \$93,637 for mine equipment and buildings.

As noted in previous reports, there are several other known areas of interest throughout this large claim assemblage, particularly in and around the area of the Laguerre and Raven River workings. Investigation of these added targets is part of the long range program projected for this extensive claim group.

Interest in the Kirkland-Larder Lake gold mining area continues at a fairly high level. Recently, Canadian Nickel Co., a subsidiary of Inco Limited, entered into an agreement with Queenston Gold Mines Limited and Upper Canada Resources for an exploration program on the latter two companies' claims in nearby Gauthier and Lebel Townships. These properties cover the projected extension of the Kirkland-Larder Lake Break structure over an east-west distance of approximately six miles.

The projected extension of this same regional geological structure lies just to the north of the 51 claims held by your Company.

Under the terms of the agreement, which is subject to the approval of Queenston shareholders and regulatory authorities and also certain legal requirements, Canadian Nickel has agreed to pay Queenston and Upper Canada a sum of \$100,000 forthwith upon execution on a 75%-25% basis. In addition, Canadian Nickel has firmly committed to spend a further \$100,000 on exploration prior to December 31, 1976. Further expenditures totalling \$1.3 million over the period to the end of 1980 will earn Canadian Nickel a 40% interest in the subject 104 claims.

The property of Amalgamated Larder which adjoins to the north of your Company's claim-group, was optioned in 1974 to Hanna Mining under terms whereby Hanna can earn up to a 40% interest by certain expenditures over seven years. Another area of current interest is in respect of the properties of Sheldon Larder and Arjon Gold Mines which adjoin to the west of the main property of gold producing Kerr Addison Mines.

Kerr Addison entered into a joint venture agreement with Sheldon and Arjon in 1974, the result of which was the drilling of three holes from surface on the Sheldon-Arjon properties. Subsequently, Kerr Addison has initiated a program of extending a 3,000 foot drive along its 3,850-ft. level to explore these properties by underground diamond drilling. The project will probably entail an expenditure of approximately \$400,000.

This famed gold producing area of Ontario with a history of substantial mining extending back to 1918 with respect to the Lake Shore Mine in Teck Township and to 1938 for the Kerr Addison Mine in McGarry Township, commands considerable interest, particularly under the present economic environment of higher gold prices, compared to the levels of \$20.67 to \$35.00 per ounce in the peak period of production.

Status of your Company's other properties remains relatively unchanged from 1974 with the notable exception of the Hebecourt Township property in the Noranda area, Quebec, which was under option to Falconbridge Nickel. This option agreement was terminated during the year and the property has reverted back to your Company.

Working capital at the 1975 year end of \$15,572 shows a decrease during the year of \$431,196. This is substantially attributable to the expenditures incurred in connection with the exploration and underground program at the Laguerre Mine property during the year.

On behalf of the Board of Directors,



President

May 27, 1976

SUDBURY CONTACT

MINES, LIMITED



FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31st, **1975**

BALANCE SHEET

ASSETS

CURRENT

Cash	
Term deposits	
Marketable securities, at lower of cost or market (market value 1975 — \$178,534; 1974 — \$351,278) ..	
Loans receivable	
Prepaid expenses and sundry receivable	

FIXED, at cost

Equipment	
Office furniture	
Automotive equipment	

Less: Accumulated depreciation

Larder Lake buildings and equipment

MINING CLAIMS AND PROPERTIES, at cost (Note 2)

DEFERRED EXPLORATION EXPENDITURES

OTHER

Shares of other mining companies, at cost

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Bank indebtedness	
Accounts payable and accrued charges	
Due to broker, secured by certain marketable securities	
Loan payable	

SHAREHOLDERS' EQUITY

CAPITAL

AUTHORIZED

9,000,000 Shares without par value

ISSUED AND FULLY PAID

6,586,250 Shares

DEFICIT

The accompanying notes form an integral part of these financial statements.

SUDBURY CONTACT MINES, LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

As at December 31
1975 1974

\$ —	\$ 12,668
—	100,000
77,575	143,363
33,015	220,000
1,000	4,342
111,590	480,373
21,269	21,269
1,753	1,753
5,184	5,184
28,206	28,206
23,273	22,826
4,933	5,380
96,920	3,283
101,853	8,663
26,801	26,801
578,061	384,981
9,602	9,602
\$ 827,907	\$ 910,420

\$ 21,646	\$ —
24,372	20,383
—	13,222
50,000	—
96,018	33,605

2,573,500	2,573,500
1,841,611	1,696,685
731,889	876,815
\$ 827,907	\$ 910,420

We have examined the balance sheet of Sudbury Contact Mines, Limited as at December 31, 1975 and the statements of administrative expenses, revenue and deficit, deferred exploration expenditures and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1975 and the results of its operations and the changes in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL
Chartered Accountants

Toronto, Ontario.
February 25, 1976.

Approved on behalf of the Board:

PAUL PENNA, Director.

ARCHIE BASEN, Director.

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF ADMINISTRATIVE EXPENSES, REVENUE AND DEFICIT

	Year Ended December 31	
	1975	1974
EXPENSES		
Administration and office services	\$ 9,600	\$ 9,600
Legal and audit	10,380	9,606
Bank charges and interest	988	260
Shareholders' information	5,730	8,411
Miscellaneous	7,622	8,164
Transfer agent fees	2,455	3,014
Depreciation — automotive equipment	356	697
— furniture and fixtures	91	175
Directors' fees	1,000	850
Licences, taxes and fees	1,150	1,320
	<u>39,372</u>	<u>42,097</u>
Less: Gain on sale and revaluation of marketable securities	27,042	112,058
Interest and dividends earned	17,404	14,490
Sundry income	—	900
	<u>44,446</u>	<u>127,448</u>
ADMINISTRATIVE EXPENSES (REVENUE) BEFORE TAXES	(5,074)	(85,351)
Provision for income taxes	—	14,236
NET EXPENSES (REVENUE) BEFORE EXTRAORDINARY ITEMS	<u>(5,074)</u>	<u>(71,115)</u>
Provision for loss on advances to affiliated company	150,000	—
Utilization of tax loss-carry-forward	—	14,236
NET EXPENSES (REVENUE) FOR THE YEAR	<u>144,926</u>	<u>(85,351)</u>
DEFICIT, beginning of year	1,696,685	1,782,036
DEFICIT, end of year	<u>\$1,841,611</u>	<u>\$1,696,685</u>

The accompanying notes form an integral part of these financial statements.

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

	Year Ended December 31	
	1975	1974
EXPENDITURES DURING YEAR		
Larder Lake Mining Division, Ontario		
General field expenses	\$ 5,797	\$ —
Shaft rehabilitation	—	19,429
Consulting fees	15,524	16,500
Diamond drilling	12,808	15,823
Assaying	3,200	441
Licences and taxes	—	28
Underground development	154,774	—
	<u>192,103</u>	<u>52,221</u>
Cardinal Township, Quebec		
Consulting fees	—	6,167
Wages	—	5,004
General field expenses	—	2,640
Assays	—	2,150
Licences and taxes	440	503
	<u>440</u>	<u>16,464</u>
Marmora Township, Ontario		
Consulting fees	—	2,243
General field expenses	—	86
	<u>—</u>	<u>2,329</u>
Hebecourt and Duparquet Townships, Quebec		
General field expenses	—	400
Consulting fees	—	304
	<u>—</u>	<u>704</u>
Other Properties		
Licences, fees and taxes	537	443
EXPLORATION EXPENDITURES FOR THE YEAR	<u>193,080</u>	<u>72,161</u>
DEFERRED EXPLORATION EXPENDITURES — beginning of year	384,981	312,820
DEFERRED EXPLORATION EXPENDITURES — end of year	<u>\$ 578,061</u>	<u>\$ 384,981</u>

The accompanying notes form an integral part of these financial statements.

SUDBURY CONTACT MINES, LIMITED

SUMMARY OF DEFERRED EXPLORATION EXPENDITURES

	As at December 31	
	1975	1974
Montgomery Township, Ontario	\$ 167,329	\$ 166,861
Hebecourt and Duparquet Townships, Quebec	111,029	111,029
Cardinal Township, Quebec	41,190	40,750
Marmora Township, Ontario	13,656	13,656
Thunder Bay Area, Ontario	492	422
Larder Lake Mining Division, Ontario	244,365	52,263
	<u>\$ 578,061</u>	<u>\$ 384,981</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31	
	1975	1974
SOURCES OF WORKING CAPITAL		
Gain on sale and revaluation of marketable securities	\$ 27,042	\$ 112,058
Other income	17,404	15,390
Sale of capital stock	—	390,000
	<u>44,446</u>	<u>517,448</u>
APPLICATIONS OF WORKING CAPITAL		
Administrative expenses	39,372	42,097
Less: Non-current charges to income		
— depreciation	(447)	(872)
— investment written off	—	(2,510)
	<u>38,925</u>	<u>38,715</u>
Provision for loss on advances to affiliated company	150,000	—
Exploration expenditures	193,080	72,161
Acquisition of mining equipment and buildings	93,637	3,284
	<u>475,642</u>	<u>114,160</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(431,196)	403,288
WORKING CAPITAL, beginning of year	446,768	43,480
WORKING CAPITAL, end of year	<u>\$ 15,572</u>	<u>\$ 446,768</u>

The accompanying notes form an integral part of these financial statements.

SUDBURY CONTACT MINES, LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1975

1. ACCOUNTING POLICY

The company follows the policy of deferring exploration expenditures until such time as the properties commence production. Properties determined to be of little or no value are written down to nominal value and deferred exploration thereon is written off to deficit. The amounts shown for deferred exploration expenditures are not intended to reflect present or future values.

2. MINING CLAIMS AND PROPERTIES

The company has acquired a working option on 51 claims in the Larder Lake Mining Division, Ontario to July 17, 1980. If the company spends \$500,000 on exploration and development, the option will be extended for 3 more years. If production is reached, the claims will be transferred to the company subject to a 15% royalty payable to the optionor.

The amounts shown for deferred exploration expenditures represent costs to date less amounts written off and are not intended to reflect present or future values.

3. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers as defined by the Business Corporations Act aggregated \$7,000.

